

DATE: February 18, 2021

TO: Minnesota Housing Board Members

FROM: Jennifer Ho, Commissioner

SUBJECT: **FINANCE AND AUDIT COMMITTEE MEETING**

A meeting of the **Finance and Audit Committee** has been scheduled for **12:30 p.m. on Thursday, February 25**. The meeting will take place via conference call.

The topics for discussion at this meeting are:

- A. 2020 Conflict of Interest Disclosure Report
- B. Semi-Annual Chief Risk Officer Report (status of fraud/misuse of funds/conflict of interest investigations activity 7/1/20 – 12/31/20)
- C. Verbal report about the risk management projects scheduled for 2021
- D. Other Business (if any)
- E. Adjournment

This committee is a committee of the whole and all members are encouraged to attend.

If you have questions, please call Rachel Franco at (651) 296-2172.

Conference Call

Toll-free dial-in number (U.S. and Canada):
(888) 742-5095

Conference code:
5561712598

Item: 2020 Annual Conflict of Interest Disclosure Reporting

Staff Contact(s):

Mike Thone, 651.296.9813, Mike.Thone@state.mn.us

Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

The purpose of this agenda item is to give a brief overview of the conflict of interest reporting processes and inform the Board about the results of the 2020 conflict of interest disclosure reporting.

The last Annual Conflict of Interest Disclosure Report was presented February 27, 2020. The next report is scheduled to be delivered February 2022.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Results of the 2020 conflict of interest disclosure reporting

2020 Conflict of Interest Disclosure Reporting Results

Background:

It is Minnesota Housing's policy that all Agency employees, including contractors and interns, be aware of, and make every effort to avoid actual and potential conflicts of interest. During 2020, management revised the Agency's conflict of interest procedures, disclosure forms, and Conflict of Interest Action Memorandums. The procedures are incorporated in the Agency's Code of Ethics and Conflict of Interest policies contained in the Minnesota Housing Employee Policies & Procedures Manual.

Upon starting employment at Minnesota Housing, and annually thereafter, all employees are required to complete the Annual Conflict of Interest Disclosure Form. The form asks employees to disclose all external affiliations and business interests they and their immediate family members have (companies, partnerships, boards, councils, second employment, consulting contracts, or other applicable entities), and to identify those affiliations which may present conflicts with their official Agency duties. Any employees who identify personal or familial affiliations that present conflict of interest risk, as determined by the Deputy Commissioner, General Counsel, and Chief Risk Officer, are issued a Conflict of Interest Actions Memorandum which outlines actions the individual must follow to avoid or mitigate the conflict risk. The employee's immediate supervisor and the Director of Human Resources are copied on the memorandum.

Agency conflict of interest procedures also require employees to request management approval prior to accepting secondary external employment or other external affiliation (e.g., Board membership). For each request, the General Counsel and Chief Risk Officer evaluate the request for conflict of interest risk. If determined that conflict of interest risk is present, the request may be denied or approved with issuance of a Conflict of Interest Actions Memorandum which outlines the actions the employee must follow to avoid or mitigate the conflict risk.

Results of 2020 Annual Conflict of Interest Reporting:

- In the fall and early winter of 2020, 255 employees and contract staff electronically completed the Annual Conflict of Interest Disclosure Form.
- Seventy-six of the 255 employees identified personal or familial affiliations that were evaluated for conflict of interest risk. Thirty of those 76 employees were issued a Conflict of Interest Actions Memorandum.
- During 2020, six employees received a risk mitigation action memorandum from the Chief Risk Officer related to a new external employment or an external membership affiliation.
- During 2020, three new employees with existing external affiliations/memberships received a risk mitigation action memorandum from the Chief Risk Officer.



Item: Chief Risk Officer Report

Staff Contact(s):

Mike Thone, 651.296.9813, Mike.Thone@state.mn.us

Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Agency management has developed procedures for the receipt, retention and treatment of allegations of conflict of interest, misuse of funds, and fraud/embezzlement submitted to the Chief Risk Officer or other agency personnel by any person internal or external to the Agency.

This is a semi-annual update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations initiated as a result of allegations received by the Chief Risk Officer or other agency personnel. The last Chief Risk Officer report was made August 27, 2020.

The next semi-annual report is expected to be delivered August 2021, for the period covering January 1, 2021 – June 30, 2021.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer, for the Period July 1, 2020 – December 31, 2020.

This update informs the Board about the number of conflict of interest, misuse of funds, and fraud/embezzlement investigations opened, resolved, and still in-process for the identified period.

Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period July 1, 2020 – December 31, 2020				
Allegation Type	Investigations in-process as of June 30, 2020	New Investigations Opened During the Period	Investigations Resolved During the Period	Comments Regarding Investigations
Alleged Conflict of Interest (COI)	0	0	0	No allegations reported and no investigations currently in-process
Alleged Misuse of Funds (MOF) less than \$50,000	0	1	0	1) One allegation reported and the investigation remains in-process
Alleged Misuse of Funds (MOF) greater than \$50,000	0	0	0	No allegations reported and no investigations currently in-process
Alleged Fraud/Embezzlement	1	4	5	1) One allegation was substantiated for a small amount of money. The Agency is awaiting the return of the funds and the matter has been reported to appropriate bodies 2) Four allegations were found to be unsubstantiated in terms of Agency funds 3) No investigations are currently in process
Summary	1	5	5	